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ABSTRACT

Rural America is growing again; and, the change in growth and migration patterns means new opportunities for small towns to expand their economic bases and to improve community facilities and services. Part of the Small Town Strategy series, this publication characterizes one small southwestern town that is typical of many others and outlines a development strategy designed for small towns like the one described. A brief discussion of the necessity for a special strategy, the economic development committee, and the improvement of community facilities and services is followed by a discussion of a logical strategy for promoting growth. The strategy for promoting growth includes the following sequence: develop an overall plan, look at the infrastructure, compile a list of "suspects," convert "suspects" to prospects, sell the prospect, follow through on commitments, and keep existing business. (NQA)

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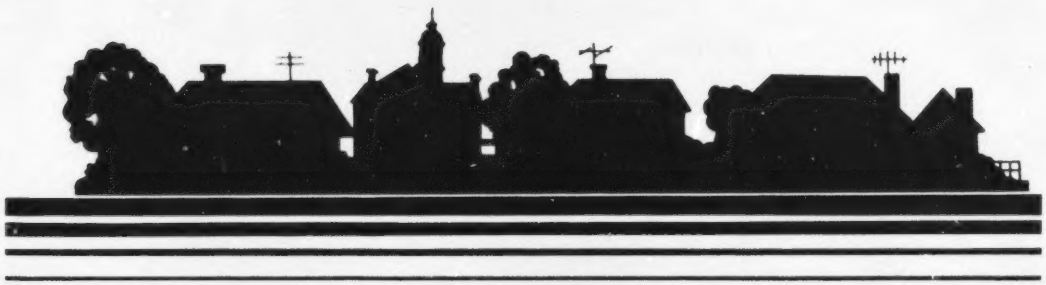

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SMALL TOWN STRATEGY

Helping Small Towns Grow

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Rural America is growing again. People seem to be leaving the more heavily populated metropolitan areas of the nation. Since 1970, populations in nonmetropolitan areas have grown at an annual rate of 6.6 percent, compared with 4.1 percent for metropolitan areas. In the first 5 years of the '70s, nonmetropolitan areas absorbed about 37 percent of the nation's population growth and 40 percent of employment growth (Nagle and Deavers, 1977).

Adam Smith described the basis for our economic structure. He held that each person seeking to better his or her own materialistic state would provide for an efficient economic system. However, shifting attitudes and values have focused criticism on such materialism. More and more people now shun the problems of city life—sometimes with economic sacrifice—to live in small towns. The changing definition of "the quality of life" is one cause for the current growth trend of small towns.

The change in growth and migration patterns means new opportunities for small towns to expand their economic bases and to improve community facilities and services. To share in these opportunities, a community must be prepared for aggressive pursuit of new businesses—retail and service businesses as well as manufacturing activities.

This publication characterizes one small southwestern town that is typical of many others and outlines a development strategy designed for small towns like the one described.

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Why a Special Strategy?

Up to now, small town efforts at economic development have tended to be scaled-down, low-budget imitations of metropolitan development programs. Little attention has been devoted to developing a business-prospecting strategy specifically for small towns—one that builds on inherent or unique small town characteristics.

Small towns have attractions that large cities lack. Changing lifestyles—with industry, businesses, and people seeking out small towns— have given rise to a whole new set of reasons for moving to rural areas that are as yet untapped by economic development efforts. Rural areas now have a broader range of prime industrial prospects than is usually recognized (Swager, 1977).

Research and experience have established certain principles of economic development that apply to cities and small towns alike. For example, a development effort must be designed not only to attract new industry, but also to hold the business a town already has (Hall, 1974).

Economic Development Committee

Almost any economic development effort requires formation of an economic development committee. Members must be serious about the work, attend meetings, and study their assigned areas. Local representatives from utilities, finance, real estate, transportation, local government, construction, industry, retail trade, and planning would be valuable on an economic development committee.

Once people have accepted positions on an economic development committee, they should learn as much as possible about finding new businesses. Manuals and textbooks on industrial and economic development contain much information that would be useful to a small town economic development committee. The serious development group will be acquainted with one or more of the standard works by such authors as Henry Hunker, John Fernstrom, and Richard Preston. (See references at the end of this publication.)

Some studies have listed barriers to the location of businesses in nonmetropolitan communities, such as:

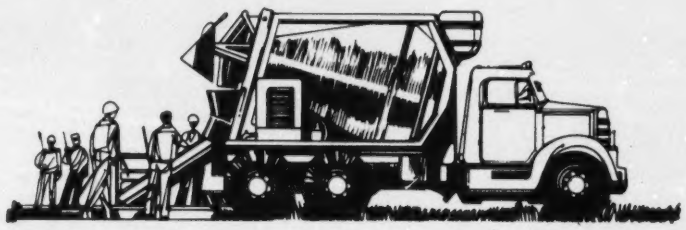
- supply of trainable labor
- supply of skilled labor
- access to markets (the cost of carrying large inventories, reliable supply of resources, and transportation costs)
- availability of existing industrial buildings
- lack of financing
- housing shortages
- quality of local schools
- local attitudes toward development.

Any sound economic development effort will address these issues. (See, for example, Hanson, 1976.)

Improve Facilities and Services

An economic development strategy for small towns should include a community development strategy. Improving community facilities and services is necessary to increase economic potential. And there appears to be a natural order in which medical, recreational, and communication facilities develop in a community. Knowledge of this order of development would indicate where efforts should be placed next to improve chances for a successful economic development plan. Improvement of community facilities is in itself a boost to the economy (Eastman and others, 1978).

There is also evidence that small towns should consider forming a local economic development foundation. This may be even more important for a small town than for a large one (Coppedge, 1980).



Pueblito: A Small Town

Pueblito is a fictitious name for a real town in the Southwest. Some of the characteristics have been modified to make the town typical of most small towns.

Pueblito is the county seat in a rural county. It serves as the regional post office distribution point and is on a major railroad. This little town is located at the intersection of two U.S. highways, but the nearest interstate highway is 90 miles away. The population of approximately 2,000 has access to numerous indoor and outdoor recreation facilities. The county has one of the fastest growth rates in the state, primarily due to a year-round recreation complex located a few miles away. Pueblito offers excellent access to the mountains and snow sports and enjoys a sunny climate year-round that would be attractive to many types of businesses.

The small-town atmosphere is an important feature of Pueblito in the eyes of most residents. The nearest metropolitan center is about 130 miles away, although some urban amenities are available an hour's drive into a neighboring county.

A completed industrial park in Pueblito has paved streets, drainage channels, sewer lines, and water lines. A local nonprofit development association has funds to construct buildings in the industrial park. In general, the community facilities and services are adequate to support additional small business and increased population. The labor supply is limited but probably sufficient for small employers.

One employer in town is a small equipment manufacturer. Others are government, agriculture, and service businesses. Increased mineral activity— primarily coal and precious minerals— offers promise in the area.

The community is not well-organized to pursue new businesses, but several influential and dynamic people want to see growth in the area. Some residents prefer only limited growth, but all seem to agree that the area needs economic improvement. The chamber of commerce and the economic development committee are working to enhance the economic potential of the area, but the economic development committee is having some trouble moving forward. Despite its potential for growth, the community is not growing.

Planning a Strategy

Pueblito is, in general, like many small towns. The characteristics described above can be the springboard for growth. A logical strategy for promoting growth might be:

1. Develop an overall plan;
2. Look at the infrastructure;
3. Compile a list of "suspects";
4. Convert "suspects" to prospects;
5. Sell the prospect;
6. Follow through on commitments; and
7. Keep existing business.

1. Develop an Overall Plan

Early in a development effort, many questions should be asked and answered as to the costs and benefits of various types of growth. Another publication in the Small Town Strategy series, "To Grow or Not to Grow: Questions on Economic Development," lists such questions. Answers to these questions will provide a good beginning for economic development planning.

In many towns like Pueblito, economic development committees have difficulty putting their plans into operation due to a neglect of careful planning in the early stages of development.

Setting specific goals is an important first step in planning for economic development. Next, the committee must identify the obstacles that could prevent the accomplishment of their goals and map out a workable plan for overcoming obstacles. Pueblito is now experiencing difficulties associated with failure to set specific goals, to identify problems, and to address those problems.

An overall plan for development must spell out how the goals will be accomplished, which includes organization of the development effort. Pueblito has not yet assembled an effective economic development team. Consequently, most economic development activities there are conducted somewhat at random.

The plan has to be specific and detailed, and still contain the broader goals a community might have over the next several decades. A well-designed plan sets businesslike goals and a businesslike approach for implementing the goals. With such a plan, the people responsible for economic development can complete the following steps, assured of maximum support from the community. Another publication in the Small Town Strategy series deals in more detail with setting goals. (See list of titles at the end of this publication.)

2. Look at the Infrastructure

Infrastructure includes both the public and private sectors. The public sector consists of schools, utilities, transportation, parks, and other community facilities and services. The private-sector infrastructure includes all the supporting business services that a new business might need, such as welding or machine-shop services, banks, loan companies, accounting or bookkeeping services, retail services, housing, financial institutions, and medical services.

Community infrastructure in large towns is rarely a problem for economic development teams. In smaller towns, however, those concerned with economic development must take a close look at the community infrastructure, because it is usually inadequate for many of the desired new businesses. The mechanism for changing infrastructure in small towns is also often inadequate.

An economic development team may need to urge local government and private sources to initiate appropriate programs to take care of infrastructure deficiencies, or the team itself may have to initiate appropriate change. Adding to the infrastructure—public or private—would in itself be economic development.

3. Compile a List of "Suspects"

The first step in compiling a "suspect" list is to determine what kinds of businesses could operate profitably in the area with the existing population, labor supply, and business activity. This requires careful community analysis, somewhat like a marketing feasibility study.

Start with a list from local residents concerning the services or products they travel out of town to purchase. The list should also include traveling salesmen, plumbers, or other service people who make regular visits to town. Resources available through the state university, the state department of economic development, or the Small Business Administration could help determine the feasibility of one of these businesses establishing a local office. If time and talent permit, local bankers and business people on the industrial development committee could also gauge feasibility of a potential new business.

Such businesses will undoubtedly be small, with relatively few employees. The economic stability offered by several small employers rather than one large one is an asset to a small community.

When the list of businesses that have the potential to operate profitably is finished, compile lists of these types of businesses in metropolitan areas within 500 miles. Sources for such a list include the yellow pages, union records, business organizations, city directories, newspapers, and other advertising media.Expensive consultant services that compile such lists often use these same sources.

Focusing within a 500-mile radius of town would give a more-than-adequate list of suspects to work with on a limited budget.

4. Convert Suspects to Prospects

There are several ways to convert "suspects" into prospects. First, community leaders must marshall the facts to convince a business representative that a profit potential does indeed exist. Second, community leaders must be ready to describe what their town has to offer that is different from the metropolitan area—less congestion, lower commuting or housing costs, outdoor recreation, and other small-town amenities. Not everyone will be impressed by these characteristics, but community leaders do not want everyone to move to their town. In most small towns, two or three small employers would be equivalent to a major industry relocating in a large town. A business with 10 employees might be unnoticed in a larger city, but not in Pueblito.

Take, for example, a machine shop. Assume that the community analysis has uncovered the fact that local business people and farmers travel some distance to obtain a certain kind of machine-shop service. It appears that there is adequate business in town for a one-person machine shop to operate profitably. At this point, members of the economic development team would decide in which metropolitan area it would be easiest to contact machinists.

Taking the list of suspects from that area, the team could send personal letters to the machinists, asking if they would be interested in moving away from the hustle and bustle of the big city, provided they could make a profit as their own boss. The letters would tell the machinists about the town—the wide open spaces, fishing, hunting, and other amenities of the community. The team must spend some time developing a factual presentation, which can be an important selling tool when prospecting for new businesses.

Such a letter should let suspects know that help is available. Perhaps there is a vacant building that is suitable for a machine shop operation, and a local banker is willing to consider some financing. The letter must be specific. It must carry a return address or perhaps even a reply postcard to give the machinists a way to respond.

Researchers have recommended another way to reach suspects apart from writing form letters. The economic development committee might try a telephone campaign. It may be possible to obtain special rates from the telephone company. Telephone calls should be made advisedly, but they may be useful in certain situations or for certain types of businesses (Snyder, 1974).

The initial round of contacts should generate several requests for additional information. The ones who respond have been converted from suspects to prospects. These prospects may be handled in several different ways. For example, a brief personal letter forwarding general literature may be sufficient. The economic development team may wish to invite good prospects to town and meet with them to answer their questions. If a member of the team has personal business in the city, he or she might visit the prospects at this point.

In any event, some method of follow-up is needed. The machinists who respond and really seem interested should get more information. If financing is needed, for example, the banker could write. One person should coordinate activities, but in most cases the process will not be too complicated.

As needed services and businesses are brought into town, several things will become evident. Economic development has already started with the new business spending money locally, hiring a bookkeeper or apprentice, and paying taxes. These new services and businesses make the community a better place to live, and unexpected prospects for new business may show up. Next, more opportunities arise for start-up or expansion of local business. Local youth have more employment opportunities in occupations that may lead to a desirable skill or trade. The impact of the continued exodus from agriculture or other declining economic sectors is lessened as good jobs in other areas become available. New construction becomes necessary as population rises and the demand for community facilities (water, sewer, school, police) expands. Overall, chances of attracting new business are improved.

As local private infrastructure improves, the economic development team must determine what other businesses are suited to the economic structure of the area, develop a new list of suspects, and repeat the process described above.

5. Sell the Prospect

A prospect has come to town for a visit. What now? He or she is interested in determining whether or not the town would be a suitable location for a new facility. Is the community ready?

This phase of the development process is difficult to control. Yet, controlling the situation is critical to building up the town. There are several ways to give business prospects positive first impressions of the community, and preparation for this part of the development process is important.

Members of the economic development team must be prepared to do their part. Each person who talks with the prospect must be positive about the potential of the town, and each person must treat the prospect as a friend. The goal is to make him or her want to come back.

Know what other people in the community will say when they talk with the prospect. Negative comments leave bad impressions. Should the prospect ask to talk with someone who may express a negative attitude, a member of the team should explain the situation.

The team must predict what prospects will ask before they arrive. Interviews and questions should be anticipated and advance research should be complete. Know in advance what prospects want to do during the visit. Complete information should be provided to each prospect, and information about any sites or available buildings should be up-to-date. Furnishing a list of the people they will meet, including their business affiliation or sphere of interest, would be helpful.

Business prospects want honest and factual answers to their questions. Misrepresentation will eventually be found out and create problems. Follow-up should be planned and conducted by one person. Keep to the subject as much as possible. Prospects may wish to engage in a bit of idle conversation, but this should be at their initiation. The company representative has limited time.

Some towns have found that it is difficult to cover all positive attributes of the community, especially when a prospect's time is limited. A few development committees have met the problem with a film or slide presentation. A well-designed narrated slide program with background music can be shown in 10 or 15 minutes and leave a good impression. Such a slide show can be prepared locally using existing resources (Redetzke, 1978).

Team members must also be prepared if the prospect has extra time. If time and the prospect permit, it is a good idea to demonstrate the local amenities, for in other respects the town may be no different from many other small towns.

The economic development team must protect confidential aspects of the prospect's visit. Many industry representatives looking for sites do not want news of their visit to leak out. This wish should be honored.

6. Follow Through on Commitments

A prospect has said he or she will move to town. Responsibility of the community has not ended. The economic development team should be aware of what services the new business requires.

Will financing be necessary? Team members should assist in contacts with local financial institutions. Also, the economic development team should know which state and federal programs are available to help in financing. The team must keep in constant touch with the prospect on progress with financing the new business.

Is a new or renovated building needed? Team members can help get building permits and make sure that city ordinances and zoning regulations are complied with. Perhaps a building contractor can be recommended, or acreage located for the new business.

Will new people move into the area? Their names should go to a reputable real estate firm, if the new business approves. They should also receive information on schools, shopping, recreation, and local activities.

Is the business locating in town because of a natural resource? The economic development team may need to assist in negotiations with state, federal, or private landowners to get access to these resources. Another detail to follow up on might be construction of access roads.

An active economic development team may well mean the difference between success and failure for the new business. Anything that helps the business to succeed and grow is a worthwhile endeavor for the team.

Putting the new businesses in contact with people who will help them is important. Whether a specific commitment is made during the process of negotiation, or need arises later, it is in the interest of the development effort to meet the needs of new or existing businesses.

7. Keep Existing Business

The successful economic development program will make sure existing business remains in the community. If a new business is brought into town and promptly forgotten while additional new businesses are sought, problems may cause the new business to leave or go bankrupt. When an existing business succeeds, its expansion and resulting job opportunites may far exceed whatever can be brought in from outside.

Careful consideration should be given to possible problems of existing businesses. A conscious effort to visit with owners or managers may turn up situations that, if allowed to continue, might end in business failure or a decision to relocate.

Expansion of local businesses or helping a local resident to establish a business may offer the most immediate opportunity for economic growth. Identify development opportunities that might be at least partially met by local business people or residents. If a machine shop is needed, does anyone locally have the required skills? He or she may be working in some other occupation or in a neighboring town, but proper encouragement and financial or technical assistance may provide a new business with minimum effort. Similarly, if a second plumber is needed, perhaps the current plumber would hire an apprentice locally if encouragement were given.

In many small towns, there undoubtedly are several viable business opportunities. There are also current or potential small business people looking for a chance. An active program to keep existing business might bring the two together.

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- To Grow or Not to Grow: Questions on Economic Development
- Hiring a Consultant
- Identifying Problems and Establishing Objectives
- Basic Grantsmanship
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